

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

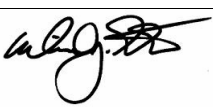
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**Township of Hamburg
Livingston County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2006**

Township of Hamburg

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities	9-10
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	11
Reconciliation of Fund Balances to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balance	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Proprietary Funds - Enterprise Funds:	
Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Fund Net Assets	16
Statement of Cash Flows	17
Fiduciary Fund - Agency Fund - Statement of Fiduciary Assets and Liabilities	18
Notes to Financial Statements	19-38
Required Supplemental Information	39
Budgetary Comparison Schedule - General Fund	40-41
Budgetary Comparison Schedule - Major Special Revenue Funds	42-43
Note to Required Supplemental Information	44
Other Supplemental Information	45
Nonmajor Governmental Funds:	
Combining Balance Sheet	46-47
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	48-49

Independent Auditor's Report

To the Members of the Township Board
Township of Hamburg, Livingston
County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Hamburg (the "Township") as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hamburg's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hamburg Township Library (the "Library"), which is the Township's only discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hamburg Township Library, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Township of Hamburg as of June 30, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

A member of



A worldwide association of independent accounting firms

To the Members of the Township Board
Township of Hamburg, Livingston
County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Hamburg's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 26, 2006

Township of Hamburg

Management's Discussion and Analysis

Our discussion and analysis of the Township of Hamburg's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- State-shared revenue, our largest revenue source, continued to decline. The Township received \$16,000 less in 2006 than in 2005 and, since 2002, has seen reductions of over \$200,000 per year, or a drop of approximately 13 percent annually. The Township reacted by cutting back department budgets and spending in order to minimize the negative impact on the General Fund's fund balance.
- Total net assets related to the Township's governmental activities were approximately \$12,441,000, an overall increase from the prior year of approximately \$740,000, or 6 percent.

Using this Annual Report

This annual report consists of four parts - the management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first statements are the statement of net assets and the statement of activities, which provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The second statements are the fund financial statements, which present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the government.

Township of Hamburg

Management's Discussion and Analysis (Continued)

The Township as a Whole

The following table shows, in a condensed format, the net assets at June 30, 2006 and 2005 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current assets	\$ 5,454	\$ 5,282	\$ 9,883	\$ 10,481	\$ 15,337	\$ 15,763
Noncurrent assets	<u>11,809</u>	<u>12,186</u>	<u>40,847</u>	<u>41,693</u>	<u>52,656</u>	<u>53,879</u>
Total assets	17,263	17,468	50,730	52,174	67,993	69,642
Liabilities						
Current liabilities	1,303	1,577	2,175	2,685	3,478	4,262
Long-term liabilities	<u>3,519</u>	<u>4,191</u>	<u>19,717</u>	<u>20,942</u>	<u>23,236</u>	<u>25,133</u>
Total liabilities	<u>4,822</u>	<u>5,768</u>	<u>21,892</u>	<u>23,627</u>	<u>26,714</u>	<u>29,395</u>
Net Assets						
Invested in capital assets -						
Net of related debt	4,549	4,197	8,904	8,232	13,453	12,429
Restricted	1,409	961	8,312	8,427	9,721	9,388
Unrestricted	<u>6,483</u>	<u>6,542</u>	<u>11,622</u>	<u>11,888</u>	<u>18,105</u>	<u>18,430</u>
Total net assets	<u>\$ 12,441</u>	<u>\$ 11,700</u>	<u>\$ 28,838</u>	<u>\$ 28,547</u>	<u>\$ 41,279</u>	<u>\$ 40,247</u>

The Township's combined net assets increased by slightly more than 2.5 percent from a year ago - increasing to approximately \$41,279,000. The governmental activities comprise approximately \$12,441,000, up from \$11,700,000, while the business-type activities, the Sewer Fund and Water System Fund, make up approximately \$28,838,000, an increase of 1 percent from a year ago.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations - are approximately \$6,483,000 for the governmental activities. Unrestricted net assets for the business-type activities are approximately \$11,622,000.

Township of Hamburg

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the 2006 and 2005 (in thousands of dollars).

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenue						
Program revenue:						
Charges for services	\$ 838	\$ 1,138	\$ 1,292	\$ 1,067	\$ 2,130	\$ 2,205
Operating grants and contributions	17	33	341	527	358	560
Capital grants and contributions	451	240	562	581	1,013	821
General revenue:						
Property taxes	3,004	2,746	-	-	3,004	2,746
State-shared revenue	1,408	1,424	-	-	1,408	1,424
Unrestricted investment earnings	140	120	939	920	1,079	1,040
Franchise fees	191	180	-	-	191	180
Gain on sale of capital asset	7	19	-	-	7	19
Total revenue	6,056	5,900	3,134	3,095	9,190	8,995
Program Expenses						
General government	1,624	1,575	-	-	1,624	1,575
Public safety	2,773	2,672	-	-	2,773	2,672
Public works	400	852	-	-	400	852
Recreation and culture	281	304	-	-	281	304
Interest on long-term debt	238	262	-	-	238	262
Water and sewer	-	-	2,843	2,845	2,843	2,845
Total program expenses	5,316	5,665	2,843	2,845	8,159	8,510
Change in Net Assets	\$ 740	\$ 235	\$ 292	\$ 250	\$ 1,032	\$ 485

Governmental Activities

The Township's total governmental revenues totaled \$6.2 million, with state revenue sharing representing \$1.4 million, or 23 percent. Although the State has acted to stabilize levels of revenue sharing for 2007, the State's ongoing financial difficulties will continue to be a concern during the upcoming year.

Expenses for the fiscal year were approximately \$5,316,000. Increases in health care costs, legal costs, property insurance rates, and legal liability insurance premiums continued to create a budget challenge. To offset this, the Township closely monitored its spending in all other areas, resulting in a net increase in the net assets of approximately \$740,000.

Township of Hamburg

Management's Discussion and Analysis (Continued)

Business-type Activities

The Township's business-type activities consist of the Sewer Fund and the Water System Fund. We provide sewage treatment through a Township owned and operated sewage treatment plant, as well as through the use of a plant owned and operated by a neighboring community. The Township anticipates building Phase I of its municipal water delivery service in 2007, using a Special Assessment District to arrange the financing. The water district will include mostly businesses and perhaps a few residential properties.

The Township's Funds

Our analysis of the Township's major funds follows the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005-2006 include the General Fund, the Police Special Revenue Fund, the Fire Special Revenue Fund, the Capital Improvement Building Debt Service Fund, and the Tamarack Lake Sewer Debt Service Fund.

The General Fund pays for most of the Township's governmental services. The most significant is police, which depended on the General Fund for approximately \$727,000 for the year ended June 30, 2006. Both the police and fire services are also supported by a police and fire millage, which is recorded in the Police Special Revenue Fund and the Fire Special Revenue Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. However, no significant changes to the budget were made.

Capital Asset and Debt Administration

At the end of fiscal year 2006, the Township had \$36,925,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and sewer lines. In addition, the Township has approximately \$3,070,000 and \$1,934,000 invested in the Portage - Base Lakes Water and Sewer Authority and the Livingston Community Water Authority, respectively.

Township of Hamburg

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The Township's budget for next year will need to be watched very closely once again, especially relating to the General Fund. This needs to be done since revenue sharing is a very big concern for the Township. The State of Michigan is experiencing significant budgeting problems, and as they look for solutions, revenue sharing continues to be under attack. However, to the extent there is continued growth in the community, the increase in property tax revenues will assist the Township's budget.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at (810) 231-1000.

Township of Hamburg

Statement of Net Assets June 30, 2006

	Primary Government			Component
	Governmental	Business-type	Total	Unit - Library
	Activities	Activities		
Assets				
Cash and investments (Note 2)	\$ 4,074,867	\$ 58,139	\$ 4,133,006	\$ 1,454,401
Cash restricted for capital (Note 11)	-	8,312,222	8,312,222	-
Receivables:				
Customers and other	35,730	352,911	388,641	13,416
Special assessments	388,632	-	388,632	-
Internal balances	631,358	(631,358)	-	-
Due from other governmental units	250,515	-	250,515	7,478
Inventories	-	313,986	313,986	-
Other assets	73,334	30,519	103,853	2,484
Restricted assets (Note 2)	-	1,334,347	1,334,347	-
Assets restricted for capital and debt (Note 11):				
Current	-	1,446,242	1,446,242	-
Noncurrent	-	9,392,711	9,392,711	-
Investment in joint venture (Note 9)	3,069,629	1,933,919	5,003,548	-
Capital assets - Net (Note 5):				
Nondepreciated	597,268	2,296,499	2,893,767	-
Depreciated	8,141,310	25,890,111	34,031,421	75,373
Total assets	17,262,643	50,730,248	67,992,891	1,553,152
Liabilities				
Accounts payable	112,270	219,549	331,819	8,123
Accrued and other liabilities	185,963	718,008	903,971	5,777
Noncurrent liabilities (Note 6):				
Due within one year	1,004,599	1,237,339	2,241,938	-
Due in more than one year	3,519,214	19,717,178	23,236,392	17,656
Total liabilities	4,822,046	21,892,074	26,714,120	31,556
Net Assets				
Invested in capital assets - Net of related debt	4,549,186	8,903,654	13,452,840	75,373
Restricted:				
Police and fire	890,569	-	890,569	-
Debt service	307,071	-	307,071	-
Capital projects	160,223	8,312,222	8,472,445	-
Cemetery expenditures	50,444	-	50,444	-
Unrestricted	6,483,104	11,622,298	18,105,402	1,446,223
Total net assets	\$ 12,440,597	\$ 28,838,174	\$ 41,278,771	\$ 1,521,596

Township of Hamburg

		Program Revenues		
		Charges for	Operating Grants and Contributions	Capital Grants and Contributions
	Expenses	Services		
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 1,623,588	\$ 693,598	\$ 16,150	\$ -
Public safety	2,772,980	63,172	662	450,709
Public works	400,447	59,641	-	-
Recreation and culture	281,055	22,653	-	-
Interest on long-term debt	237,512	-	-	-
Total governmental activities	5,315,582	839,064	16,812	450,709
Business-type activity - Sewer	2,841,124	1,290,436	-	902,884
Total primary government	<u>\$ 8,156,706</u>	<u>\$ 2,129,500</u>	<u>\$ 16,812</u>	<u>\$ 1,353,593</u>
Component unit - Library	<u>\$ 550,343</u>	<u>\$ 26,460</u>	<u>\$ 98,096</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Special item - Gain on sale of capital assets				
Total general revenues and special item				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit - Library
Governmental Activities	Business-type Activity - Sewer	Total	
\$ (913,840)	\$ -	\$ (913,840)	\$ -
(2,258,437)	-	(2,258,437)	-
(340,806)	-	(340,806)	-
(258,402)	-	(258,402)	-
(237,512)	-	(237,512)	-
(4,008,997)	-	(4,008,997)	-
-	(647,804)	(647,804)	-
(4,008,997)	(647,804)	(4,656,801)	-
-	-	-	(425,787)
3,003,889	-	3,003,889	410,807
1,407,846	-	1,407,846	14,900
139,877	939,350	1,079,227	46,194
191,316	-	191,316	-
6,500	-	6,500	-
4,749,428	939,350	5,688,778	471,901
740,431	291,546	1,031,977	46,114
11,700,166	28,546,628	40,246,794	1,475,482
\$ 12,440,597	\$ 28,838,174	\$ 41,278,771	\$ 1,521,596

Township of Hamburg

Governmental Funds Balance Sheet June 30, 2006

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Capital Improvement Building Debt Service Fund	Tamarack Lake Sewer Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Cash and investments (Note 2)	\$ 2,040,508	\$ 262	\$ 776,295	\$ 92,824	\$ 214,247	\$ 950,731	\$ 4,074,867
Accounts receivable:							
Customers and other	21,706	-	14,024	-	-	-	35,730
Special assessments	-	-	-	-	307,398	81,234	388,632
Due from other governmental units	250,515	-	-	-	-	-	250,515
Due from other funds (Note 4)	409,239	26,478	-	-	-	19,020	454,737
Advances to other funds (Note 4)	275,493	-	-	-	-	-	275,493
Other assets	17,121	37,983	18,230	-	-	-	73,334
Total assets	\$ 3,014,582	\$ 64,723	\$ 808,549	\$ 92,824	\$ 521,645	\$ 1,050,985	\$ 5,553,308
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 60,799	\$ 14,852	\$ 16,823	\$ -	\$ -	\$ 19,796	\$ 112,270
Due to other funds (Note 4)	2,550	37,000	-	-	-	59,322	98,872
Accrued and other liabilities	89,170	11,965	41,601	-	-	-	142,736
Deferred revenue (Note 3)	-	-	-	-	307,398	81,234	388,632
Total liabilities	152,519	63,817	58,424	-	307,398	160,352	742,510
Fund Balances							
Reserved in Permanent Fund - Cemetery Perpetual							
Care - Future cemetery expenditures	-	-	-	-	-	50,444	50,444
Reserved for long-term receivable	275,493	-	-	-	-	-	275,493
Unreserved, reported in:							
General Fund:							
Designated for fire station repairs	20,000	-	-	-	-	-	20,000
Designated for recreation plan	24,128	-	-	-	-	-	24,128
Undesignated	2,542,442	-	-	-	-	-	2,542,442
Special Revenue Funds:							
Designated for fire station repairs	-	-	25,445	-	-	-	25,445
Undesignated	-	906	724,680	-	-	679,966	1,405,552
Debt Service Funds	-	-	-	92,824	214,247	-	307,071
Capital Project Funds	-	-	-	-	-	160,223	160,223
Total fund balances	2,862,063	906	750,125	92,824	214,247	890,633	4,810,798
Total liabilities and fund balances	\$ 3,014,582	\$ 64,723	\$ 808,549	\$ 92,824	\$ 521,645	\$ 1,050,985	\$ 5,553,308

Township of Hamburg

Governmental Funds **Reconciliation of Fund Balances to the Statement of Net Assets** **Year Ended June 30, 2006**

Total Fund Balances of Governmental Activities	\$ 4,810,798
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	8,738,578
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	388,632
Investment in joint venture is not a financial resource and is not reported in the funds	3,069,629
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds	(4,523,813)
Interest amounts on long-term liabilities are not payable until due in the funds	<u>(43,227)</u>

Net Assets of Governmental Activities	<u>\$ 12,440,597</u>
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Township of Hamburg

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	General Fund	Police Special Revenue Fund	Fire Special Revenue Fund	Capital Improvement Building Debt Service Fund	Tamarack Lake Sewer Debt Service Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 785,305	\$ 859,282	\$ 821,940	\$ 537,362	\$ -	\$ -	\$ 3,003,889
Special assessments	-	-	-	-	49,340	59,641	108,981
Licenses and permits	225,995	-	-	-	-	-	225,995
State sources	1,420,993	-	-	-	-	-	1,420,993
Charges for services	647,018	11,330	-	-	-	1,548	659,896
Fines and forfeitures	-	26,938	-	-	-	450,709	477,647
Interest and other	104,474	14,090	34,409	1,858	6,444	23,511	184,786
Proceeds from sale of capital assets	-	-	6,600	-	-	-	6,600
Total revenue	3,183,785	911,640	862,949	539,220	55,784	535,409	6,088,787
Expenditures							
Legislative	112,445	-	-	-	-	-	112,445
General government	1,466,629	-	-	-	-	-	1,466,629
Public safety	297,397	1,787,444	569,161	-	-	13,739	2,667,741
Public works	228,115	-	-	-	-	90,967	319,082
Health and welfare	67,922	-	-	-	-	-	67,922
Recreation and culture	38,821	-	-	-	-	-	38,821
Debt service	-	-	-	996,054	60,445	9,530	1,066,029
Capital outlay	-	-	-	-	-	116,240	116,240
Total expenditures	2,211,329	1,787,444	569,161	996,054	60,445	230,476	5,854,909
Excess of Revenue Over (Under) Expenditures	972,456	(875,804)	293,788	(456,834)	(4,661)	304,933	233,878
Other Financing Sources (Uses)							
Proceeds from long-term debt issue	10,682	-	-	-	-	-	10,682
Transfers in (Note 4)	-	1,034,501	-	493,654	-	38,076	1,566,231
Transfers out (Note 4)	(889,154)	(157,969)	(182,652)	-	-	(336,456)	(1,566,231)
Total other financing sources (uses)	(878,472)	876,532	(182,652)	493,654	-	(298,380)	10,682
Net Change in Fund Balances	93,984	728	111,136	36,820	(4,661)	6,553	244,560
Fund Balances - Beginning of year	2,768,079	178	638,989	56,004	218,908	884,080	4,566,238
Fund Balances - End of year	\$ 2,862,063	\$ 906	\$ 750,125	\$ 92,824	\$ 214,247	\$ 890,633	\$ 4,810,798

Township of Hamburg

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds **\$ 244,560**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Capital outlay	290,580
Depreciation expense	(618,534)

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (32,774)

Equity interest in joint venture is not reported in governmental funds (50,033)

Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) 907,705

Proceeds from issuance of long-term debt are reported as financing sources on the statement of activities (10,682)

Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities 174

Accrued interest payable is recorded when due in governmental funds 9,435

Change in Net Assets of Governmental Activities **\$ 740,431**

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Net Assets June 30, 2006

	Sewer Fund	Water System Fund	Total
Assets			
Current assets:			
Cash and investments (Note 2)	\$ 57,116	\$ 1,023	\$ 58,139
Cash restricted for capital (Note 11)	8,312,222	-	8,312,222
Customers and other	352,911	-	352,911
Due from other funds (Note 4)	14,649	-	14,649
Inventories	313,986	-	313,986
Current portion of assets restricted for capital and debt (Note 11)	1,446,242	-	1,446,242
Other assets	30,519	-	30,519
Total current assets	10,527,645	1,023	10,528,668
Noncurrent assets:			
Restricted assets (Note 2)	1,334,347	-	1,334,347
Assets restricted for capital and debt - Net of current portion (Note 11)	9,392,711	-	9,392,711
Investment in joint venture (Note 9)	-	1,933,919	1,933,919
Capital assets - Net (Note 5):			
Nondepreciated	1,980,948	315,551	2,296,499
Depreciated	25,890,111	-	25,890,111
Total noncurrent assets	38,598,117	2,249,470	40,847,587
Total assets	49,125,762	2,250,493	51,376,255
Liabilities			
Current liabilities:			
Accounts payable	219,549	-	219,549
Due to other funds (Note 4)	370,514	-	370,514
Accrued and other liabilities	718,008	-	718,008
Current portion of long-term debt (Note 6)	1,212,339	25,000	1,237,339
Total current liabilities	2,520,410	25,000	2,545,410
Noncurrent Liabilities			
Advances from other funds (Note 4)	-	275,493	275,493
Long-term debt - Net of current portion (Note 6)	17,767,178	1,950,000	19,717,178
Total noncurrent liabilities	17,767,178	2,225,493	19,992,671
Total liabilities	20,287,588	2,250,493	22,538,081
Net Assets			
Investment in capital assets - Net of related debt	8,903,654	-	8,903,654
Restricted for capital projects	8,312,222	-	8,312,222
Unrestricted	11,622,298	-	11,622,298
Total net assets	\$ 28,838,174	\$ -	\$ 28,838,174

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2006

	Sewer Fund	Water System Fund	Total
Operating Revenue			
Sewage disposal charges	\$ 748,242	\$ -	\$ 748,242
Debt service charges and other	542,194	-	542,194
Total operating revenue	1,290,436	-	1,290,436
Operating Expenses			
Operation and maintenance	1,252,339	-	1,252,339
Depreciation	677,903	-	677,903
Total operating expenses	1,930,242	-	1,930,242
Operating Loss	(639,806)	-	(639,806)
Nonoperating Revenue (Expense)			
Investment income	939,350	-	939,350
Interest expense	(910,882)	-	(910,882)
Total nonoperating revenue	28,468	-	28,468
Loss - Before contributions	(611,338)	-	(611,338)
Capital Contributions	902,884	-	902,884
Change in Net Assets	291,546	-	291,546
Net Assets - Beginning of year	28,546,628	-	28,546,628
Net Assets - End of year	<u>\$ 28,838,174</u>	<u>\$ -</u>	<u>\$ 28,838,174</u>

Township of Hamburg

Proprietary Funds - Enterprise Funds Statement of Cash Flows Year Ended June 30, 2006

	Sewer Fund	Water System Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 695,006	\$ -	\$ 695,006
Payments to suppliers	(667,243)	-	(667,243)
Payments to employees	(435,303)	-	(435,303)
Other receipts	359,017	-	359,017
Interfund activity related to operating activities	(166,402)	-	(166,402)
Net cash used in operating activities	(214,925)	-	(214,925)
Cash Flows from Capital and Related Financing Activities			
Principal and interest paid on long-term debt	(2,143,861)	-	(2,143,861)
Transfer of joint venture investment to the water system fund, net of related debt	(41,081)	41,081	-
Purchase of capital assets	(2,071,887)	(315,551)	(2,387,438)
Collection from developers for the construction of new sewer lines	561,562	-	561,562
Connection fees	341,322	-	341,322
Collection of principal and interest on customer assessments	1,708,064	-	1,708,064
Interfund activity related to capital items	-	275,493	275,493
Net cash provided by (used in) capital and related financing activities	(1,645,881)	1,023	(1,644,858)
Cash Flows from Investing Activities - Interest received on cash and cash equivalents	270,946	-	270,946
Net Increase (Decrease) in Cash and Cash Equivalents	(1,589,860)	1,023	(1,588,837)
Cash and Cash Equivalents - Beginning of year	11,293,545	-	11,293,545
Cash and Cash Equivalents - End of year	\$ 9,703,685	\$ 1,023	\$ 9,704,708
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 57,116	\$ 1,023	\$ 58,139
Restricted cash and cash equivalents resulting from bond sale	1,334,347	-	1,334,347
Segregated bank deposits and investments for future capital investments	1,777,147	-	1,777,147
Segregated bank deposits and investments resulting from special assessments	6,535,075	-	6,535,075
Total cash and cash equivalents	\$ 9,703,685	\$ 1,023	\$ 9,704,708
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (639,806)	\$ -	\$ (639,806)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	677,903	-	677,903
Changes in assets and liabilities:			
Receivables	(53,236)	-	(53,236)
Accounts payable	(26,089)	-	(26,089)
Accrued and other liabilities	5,325	-	5,325
Due to other funds	(179,022)	-	(179,022)
Net cash used in operating activities	\$ (214,925)	\$ -	\$ (214,925)

Township of Hamburg

Fiduciary Fund - Agency Fund Statement of Fiduciary Assets and Liabilities June 30, 2006

Assets - Cash and investments (Note 2)	\$ 98,597
Liabilities	
Due to other governmental units	\$ 2,009
Other liabilities:	
Performance bonds	84,011
Other	<u>12,577</u>
 Total liabilities	 \$ 98,597

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Hamburg (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Hamburg:

Reporting Entity

The Township is governed by an elected seven-member board of trustees. As required by accounting principles generally accepted in the United States of America, these financial statements present the Township of Hamburg and its component unit. The individual component unit discussed below is included in the Township's reporting entity because of the significance of its operational or financial relationship with the Township.

The Hamburg Township Library (the "Library") is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is accounted for separate from the Township. The Library was created to provide library services, including book loans, to Township residents. The Library's governing body, which consists of six individuals, is elected by Township residents. The Library itself is not a separately incorporated fiscal entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which relies to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, the proprietary fund, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and the major Enterprise Fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, including state-shared revenue. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police and Fire Funds are full-service departments whose main source of revenue comes from voter-approved millages on all real property. The funds provide safety, fire suppression, fire prevention, and emergency medical services in the Township.

The Capital Improvement Building Debt Service Fund is a debt service fund whose main source of revenue comes from a voter-approved millage and operating transfers from various Township funds.

The Tamarack Lake Sewer Debt Service Fund is a debt service fund whose main source of revenue comes from a special assessment.

The Township reports the Sewer Fund as its major proprietary fund. This fund accounts for the results of operations that provide sewer services to citizens, and is financed primarily by a user charge for the provision of those services.

The Township also reports the Water System Fund as a major proprietary fund. This fund accounts for the construction and results of operations that are associated with the development of a water system. The fund is currently financed through the issuance of debt, which will be ultimately paid by a user charge for the provision of water distribution services.

Additionally, the Township reports an Agency Fund. The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exception to this general rule relates to charges between the Township's sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with proprietary funds' principal ongoing operations. The principal operating revenue of the proprietary Sewer Fund relates to charges to customers for sewer services. The Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for the proprietary fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The taxable valuation of the Township totaled approximately \$920 million. Property taxes are levied on each December 1 on the valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed and liens issued.

The Township's approximate property tax levy for the year ended June 30, 2006 was as follows:

	<u>Millage Rate</u>	<u>Levy</u>
Operating	0.8536	\$ 785,000
Police	0.9343	859,000
Fire	0.8937	822,000
Library debt	0.5843	537,000
Total	<u>3.2659</u>	<u>\$ 3,003,000</u>

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Inventory - Inventory in the Enterprise Funds is valued at cost, on a first-in, first-out basis, which approximates market value.

Restricted Assets - Restricted assets in the Sewer Fund consist of cash and cash equivalents restricted for debt payments.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year for non-computer related assets and \$500 for computer equipment. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Governmental activities:

Buildings and improvements	10-50 years
Machinery and tools	5-10 years
Vehicles, boats, and related equipment	3-7 years
Office furnishings and equipment	3-10 years

Business-type activities:

Utility system	10-50 years
Treatment plant	7-50 years
Equipment	3-25 years

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated five banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the above-mentioned investment vehicles.

The Township's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$11,451,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial credit risk. At year end, the Township held its uninsured and unregistered investments in U.S. agency bonds and notes held by a counterparty with a carrying value of \$1,668,455.

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Township's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the weighted average maturities of investments with a carrying value of \$1,668,455 are 36.2 months.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of the securities held by the Township totaling approximately \$1,668,000 in U.S. agency bonds and notes are AAA.

Concentration of Credit Risk

The Township places no limit on the amount the Township may invest in any one issuer. There were no investments held by the Township with a 5 percent or more balance of total investments at year end.

Component Unit

As of June 30, 2006, the Library's book balance of its deposits and investments was \$1,454,076; the total book balance was \$1,454,401, due to \$325 in petty cash. The bank balance was \$1,457,943, all of which was exposed to custodial credit risk, as the entire balance is uninsured and uncollateralized.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices.

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 2 - Deposits and Investments (Continued)

Interest Rate Risk

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk

The Library's investment policy places no limit on the amount the Library may invest in any one issuer.

Note 3 - Deferred Revenue

On the fund-based statements, governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The proprietary fund reports deferred revenue only for amounts which are not yet earned. At the end of the current fiscal year, deferred revenue consists solely of special assessments in the governmental funds, which are unavailable as of June 30, 2006.

Note 4 - Interfund Receivables, Payables, Advances, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Police Fund	\$ 37,000
	Sewer Fund	370,514
	Other nonmajor governmental funds	1,725
Total General Fund		409,239
Police Fund	Other nonmajor governmental funds	26,478
Other nonmajor governmental funds	General Fund	2,550
	Other nonmajor governmental funds	16,470
Total other nonmajor governmental funds		19,020
Sewer Fund	Other nonmajor governmental funds	14,649
Total		\$ 469,386

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 4 - Interfund Receivables, Payables, Advances, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund advances reported in the fund financial statements are related to the purchase of the water system assets and payment of the related debt. The advance is due from the Water System Fund to the General Fund, with payment due once the system generates revenues from the user charge for the provision of water services.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Police Fund (2)	\$ 727,437
	Capital Improvement Building Debt (3)	153,033
	Other nonmajor governmental funds (1)	8,684
Total General Fund		889,154
Fire Fund	Capital Improvement Building Debt (3)	182,652
Police Fund	Capital Improvement Building Debt (3)	157,969
Other nonmajor governmental funds	Police Fund (1) (2)	307,064
	Other nonmajor governmental funds (1)	29,392
Total nonmajor governmental funds		336,456
Total		\$ 1,566,231

- (1) Transfer for capital improvements
- (2) Transfers for general operations
- (3) Transfers for debt service

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 5 - Capital Assets

Capital asset activity of the Township's governmental and business-type activities was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 489,952	\$ -	\$ -	\$ 489,952
Construction in progress	45,749	61,567	-	107,316
Subtotal	535,701	61,567	-	597,268
Capital assets being depreciated:				
Buildings and improvements	9,295,779	50,602	-	9,346,381
Machinery and tools	407,994	28,856	-	436,850
Vehicles, boats, and related equipment	937,603	96,789	-	1,034,392
Office furnishings and equipment	850,961	52,766	59,826	843,901
Subtotal	11,492,337	229,013	59,826	11,661,524
Accumulated depreciation:				
Buildings and improvements	1,780,799	284,770	-	2,065,569
Machinery and tools	166,961	58,317	-	225,278
Vehicles, boats, and related equipment	539,362	166,813	-	706,175
Office furnishings and equipment	474,384	108,634	59,826	523,192
Subtotal	2,961,506	618,534	59,826	3,520,214
Net capital assets being depreciated	8,530,831	(389,521)	-	8,141,310
Net capital assets	\$ 9,066,532	\$ (327,954)	\$ -	\$ 8,738,578

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 5 - Capital Assets (Continued)

	Balance July 1, 2005	Reclassifications	Additions	Balance June 30, 2006
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 1,303,361	\$ -	\$ -	\$ 1,303,361
Construction in progress	1,384,770	(1,236,281)	844,649	993,138
Subtotal	2,688,131	(1,236,281)	844,649	2,296,499
Capital assets being depreciated:				
Utility system	22,502,151	1,236,281	673,448	24,411,880
Treatment plant	4,453,607	-	12,979	4,466,586
Equipment	2,599,707	-	542,260	3,141,967
Subtotal	29,555,465	1,236,281	1,228,687	32,020,433
Accumulated depreciation:				
Utility system	4,519,453	-	452,640	4,972,093
Treatment plant	475,422	-	93,224	568,646
Equipment	457,544	-	132,039	589,583
Subtotal	5,452,419	-	677,903	6,130,322
Net capital assets being depreciated	24,103,046	1,236,281	550,784	25,890,111
Net capital assets	\$ 26,791,177	\$ -	\$ 1,395,433	\$ 28,186,610

Capital asset activity for the Township's component units for the year was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Component Unit - Library				
Capital assets being depreciated:				
Buildings and improvements	\$ 24,603	\$ 5,800	\$ -	\$ 30,403
Computer equipment	32,620	29,526	-	62,146
Subtotal	57,223	35,326	-	92,549
Accumulated depreciation	4,059	13,117	-	17,176
Net capital assets	\$ 53,164	\$ 22,209	\$ -	\$ 75,373

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 5 - Capital Assets (Continued)

Depreciation expense was charged to programs of the Township as follows:

Governmental activities:

General government	\$ 94,726
Public safety	322,863
Public works	8,952
Recreation and culture	<u>191,993</u>
Total governmental activities	<u>\$ 618,534</u>

Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. Installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds							
Amount of issue - \$3,450,000		\$400,000 -					
Maturing through 2010	4.625%-4.70%	\$500,000	\$ 2,200,000	\$ -	\$ (400,000)	\$ 1,800,000	\$ 400,000
Installment purchase agreements							
Amount of issue - \$328,077		\$344 -					
Maturing through 2009	4.49%-10.45%	\$24,689	79,762	10,682	(59,448)	30,996	24,689
Special assessment bonds:							
1997 Limited Tax G.O.							
Amount of issue - \$710,000		\$35,000 -					
Maturing through 2017	4.80%- 5.50%	\$45,000	485,000	-	(35,000)	450,000	35,000
2004 Special Assessment							
Amount of issue - \$5,660,000							
Portion related to governmental activities - \$95,755		\$4,652 -					
Maturing through 2023	3.50%-4.65%	\$5,499	90,256	-	(5,492)	84,764	5,499
Note payable - Construction installment note							
Amount of issue - \$3,800,000		\$26,147 -					
Maturing through 2010	5.25%-5.75%	\$455,954	2,096,730	-	(388,527)	1,708,203	409,814
Michigan Transportation Fund Note							
Amount of issue - \$192,382							
Maturing through 2012	4.125%-4.35%	\$19,238	134,667	-	(19,238)	115,429	19,238
Total bonds, installment obligations, and notes			5,086,415	10,682	(907,705)	4,189,392	894,240
Compensated absences	N/A	N/A	334,595	334,421	(334,595)	334,421	110,359
Total governmental activities			\$ 5,421,010	\$ 345,103	\$ (1,242,300)	\$ 4,523,813	\$ 1,004,599

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activity - Sewer							
Special assessment bonds:							
1992 Limited Tax G.O.							
Amount of issue - \$1,590,000		\$85,000 -					
Maturing through 2012	2.00%	\$90,000	\$ 605,000	\$ -	\$ (85,000)	\$ 520,000	\$ 85,000
1998 Series 1998							
Amount of issue - \$430,000		\$20,000 -					
Maturing through 2018	4.25%-5.00%	\$25,000	290,000	-	(25,000)	265,000	25,000
1999 Series 1999							
Amount of issue - \$4,580,000		\$285,000 -					
Maturing through 2014	4.80%-5.25%	\$320,000	2,710,000	-	(285,000)	2,425,000	285,000
2001 Series 2001							
Amount of issue - \$6,575,000		\$300,000 -					
Maturing through 2021	4.30%-6.50%	\$450,000	5,900,000	-	(300,000)	5,600,000	300,000
2004 Special Assessment							
Amount of issue - \$5,660,000							
Portion related to business-type activity - \$5,564,245		\$270,348 -					
Maturing through 2023	3.50%-4.65%	\$319,501	5,244,743	-	(319,501)	4,925,242	319,501
Revenue bonds:							
1997 Wastewater Treatment Plant							
Amount of issue - \$5,225,000		\$125,000 -					
Maturing through 2027	5.50%-5.60%	\$325,000	4,800,000	-	(100,000)	4,700,000	125,000
2002 Water System Project							
Amount of issue - \$2,000,000		\$25,000 -					
Maturing through 2032	4.50%-5.00%	\$125,000	2,000,000	-	(25,000)	1,975,000	25,000
Installment purchase agreements							
Amount of issue - \$736,629		\$68,841 -					
Maturing through 2013	3.25%	\$83,621	598,808	-	(66,645)	532,163	68,841
Total bonds and installment purchase agreements			22,148,551	-	(1,206,146)	20,942,405	1,233,342
Compensated absences	N/A	N/A	-	12,112	-	12,112	3,997
Total governmental activities			\$ 22,148,551	\$ 12,112	\$ (1,206,146)	\$ 20,954,517	\$ 1,237,339

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities			Business-type Activity - Sewer		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 894,240	\$ 200,517	\$ 1,094,757	\$ 1,233,342	\$ 982,069	\$ 2,215,411
2008	922,848	155,580	1,078,428	1,295,992	923,724	2,219,716
2009	995,268	109,289	1,104,557	1,293,375	862,028	2,155,403
2010	948,374	59,312	1,007,686	1,315,796	801,095	2,116,891
2011	90,460	20,423	110,883	1,368,296	743,031	2,111,327
2012-2016	259,619	58,931	318,550	5,919,180	2,842,985	8,762,165
2017-2021	69,280	7,804	77,084	5,250,720	1,596,608	6,847,328
2022-2026	9,303	647	9,950	2,565,704	537,697	3,103,401
2027-2031	-	-	-	575,000	115,975	690,975
2032-2036	-	-	-	125,000	3,125	128,125
Total	\$ 4,189,392	\$ 612,503	\$ 4,801,895	\$ 20,942,405	\$ 9,408,337	\$ 30,350,742

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 6 - Long-term Debt (Continued)

Defeased Debt - In prior years, the Township defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2006, \$3,150,000 of bonds outstanding are considered defeased.

Subsequent Events - Subsequent to year end, the Township issued four separate installment purchase obligations relating to various special assessments. Total debt issued was \$961,165, payable at 4.55 percent, due through 2017. Construction related to the debt issuance is scheduled to begin in 2007.

Component Unit - Library - Long-term debt of the component unit consists of compensated absences totaling \$17,656. The liability increased from the prior year by \$1,472.

Note 7 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees, except police officers, through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Township board, the Township contributes 10 percent of employees' gross earnings. In accordance with these requirements, the Township contributed approximately \$142,000 during the year.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Township participates in the Michigan Municipal Employees' Retirement System (MMERS), an agent multiple-employer system that is available to command officers and to all police patrol employees of the Township. MMERS provides retirement benefits and disability and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for MMERS. That report may be obtained by writing to MMERS at 1134 Municipal Way, Lansing, MI 48917.

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 8 - Defined Benefit Pension Plan (Continued)

Contributions

The obligation to contribute to and maintain MMERS for these employees was established by negotiation with the Township's competitive bargaining units. The Township is required to contribute up to a maximum of \$2,500 to the system on behalf of the command officers, with any costs over and above the amount being the responsibility of the employees. The police patrol employees' agreement requires a contribution of 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200.

Annual Pension Cost

For the year ended June 30, 2006, the Township's annual pension cost of \$112,979 for the plan was equal to the Township's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0 percent to 8.4 percent per year, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5 percent per year (annually) after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year trend information as of June 30 is as follows:

	Fiscal Year Ended June 30		
	2006	2005	2004
Annual pension costs (APC)	\$ 112,979	\$ 99,919	\$ 77,524
Percentage of APC contributed	100%	100%	100%

	As of December 31		
	2005	2004	2003
Actuarial value of assets	\$ 659,459	\$ 543,920	\$ 440,769
Actuarial accrued liability (AAL) (entry age)	\$ 1,575,683	\$ 1,428,771	\$ 1,286,025
Unfunded AAL (UAAL)	\$ 916,224	\$ 884,851	\$ 845,256
Funded ratio	41.9%	38.1%	34.3%
Covered payroll	\$ 783,856	\$ 763,112	\$ 685,168
UAAL as a percentage of covered payroll	117%	116%	123%

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 9 - Investments in Joint Ventures

The Township is a member of the Portage - Base Lakes Area Water and Sewer Authority (the "Authority"), which provides sewer services to the residents of Hamburg, Dexter, Putnam, and Webster Townships. The residents of the participating communities provide annual funding for its operations via sewer billings. The Township is unaware of any circumstance that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Authority can be obtained from the administrative offices at 10405 Merrill Road, Hamburg, Michigan. The investment is recorded in the governmental activities and is calculated as 35.3 percent of the Authority's year-end fund balance at March 31, 2006.

The Township is a member of the Livingston Community Water Authority (the "Water Authority"), which will provide water services to the residents of Hamburg, Brighton, and Green Oak Townships. Once services are provided, the participating communities will provide annual funding for its operations via water billings. As of June 30, 2006, the Water Authority had not yet begun providing service to the Township residents. The Township is unaware of any circumstances that would cause an additional financial benefit or burden to the participating governments in the near future. The investment is recorded in the business-type activity - water system at June 30, 2006.

Note 10 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical, dental, and optical benefits provided to employees. The Township has purchased commercial insurance for employee injuries, medical, dental, and optical claims, and participates in the Michigan Municipal Risk Management Authority for claims relating to property and general liability. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 11 - Assets Restricted for Capital and Debt

Restricted assets in the Sewer Enterprise Fund as June 30, 2006 consist of the following:

Bank deposits and investments	\$ 8,312,222
Special assessment receivables:	
Current	1,446,242
Long-term	9,392,711
Total	<u>\$ 19,151,175</u>

These assets are restricted specifically for various capital improvements as well as the payment of the related debt.

Note 12 - Postemployment Benefits

The Township provides health care and life insurance benefits to all full-time police employees (with the exception of the police chief and administrative assistant) upon retirement, in accordance with labor contracts. Currently, there are no retirees eligible for the benefits. The Township includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The Township purchases Medicare supplemental insurance for retirees eligible for Medicare.

Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, there were no expenditures incurred by the Township.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Township of Hamburg

Notes to Financial Statements June 30, 2006

Note 13 - Stewardship, Compliance, and Accountability

Fund Deficits - The Township has an accumulated fund deficit of \$11 in the Winans Drive Maintenance SAD Fund (included in the nonmajor Capital Projects Fund Maintenance SADs Funds). The Winans Drive deficit will be corrected through the 2006/2007 special assessment related to the road maintenance. In addition, the Buhl Road Debt Service Fund has a fund deficit of \$223. The shortfall is due to the timing of collections related to the special assessments and the recording of the deferred revenue liability. The shortfall will be corrected through collections of the receivable and recording of the deferred revenue as revenue.

Required Supplemental Information

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 2,765,267	\$ 2,768,079	\$ 2,768,079	\$ -
Revenues and Transfers In				
Property taxes	786,443	786,443	785,305	(1,138)
Licenses and permits	226,000	226,000	225,995	(5)
State sources	1,433,309	1,433,309	1,420,993	(12,316)
Charges for services	950,903	613,109	647,018	33,909
Interest and other	96,011	96,011	104,474	8,463
Proceeds from long-term debt issue	-	-	10,682	10,682
Total revenues and transfers in	3,492,666	3,154,872	3,194,467	39,595
Expenditures and Transfers Out				
Legislative - Township board	110,027	109,557	112,445	(2,888)
General government:				
Township supervisor	121,325	120,148	117,950	2,198
Elections	19,353	19,353	13,954	5,399
Accounting	161,073	161,073	152,186	8,887
Assessor	268,745	268,746	250,701	18,045
Clerk	218,147	222,315	203,667	18,648
Board of review	1,607	1,607	912	695
Treasurer	142,709	147,321	143,497	3,824
Township building and grounds	291,425	303,425	288,349	15,076
Cemetery	36,582	36,582	27,446	9,136
Unallocated	234,854	234,854	247,704	(12,850)
Environmental review board	31,745	31,745	20,263	11,482
Total general government	1,527,565	1,547,169	1,466,629	80,540
Public safety:				
Planning commission	131,191	131,191	81,327	49,864
Zoning administrator	216,975	216,975	208,978	7,997
Zoning board of appeals	7,886	7,886	7,092	794
Total public safety	356,052	356,052	297,397	58,655
Public works:				
Street lighting	12,000	12,000	12,384	(384)
Mapping	154,062	154,062	153,350	712
Utility/SAD department	313,522	65,563	62,381	3,182
Total public works	479,584	231,625	228,115	3,510

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures and Transfers Out (Continued)				
Health and welfare	79,489	79,489	67,922	11,567
Recreation and cultural - Recreation board	44,556	44,556	38,821	5,735
Other uses - Operating transfers out	788,917	788,917	889,154	(100,237)
Total expenditures and transfers out	3,386,190	3,157,365	3,100,483	56,882
Fund Balance - End of year	\$ 2,871,743	\$ 2,765,586	\$ 2,862,063	\$ 96,477

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule Police Special Revenue Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ (4,399)	\$ 178	\$ 178	\$ -
Revenues and Transfers In				
Property taxes	859,590	859,590	859,282	(308)
Charges for services	7,500	7,500	11,330	3,830
Fines and forfeitures	20,000	20,000	26,938	6,938
Interest and other	6,400	17,128	14,090	(3,038)
Operating transfers in	<u>812,384</u>	<u>1,033,248</u>	<u>1,034,501</u>	<u>1,253</u>
Total revenues and transfers in	1,705,874	1,937,466	1,946,141	8,675
Expenditures and Transfers Out				
Public safety	1,543,507	1,779,632	1,787,444	(7,812)
Transfers	<u>157,968</u>	<u>157,969</u>	<u>157,969</u>	<u>-</u>
Total expenditures and transfers out	<u>1,701,475</u>	<u>1,937,601</u>	<u>1,945,413</u>	<u>(7,812)</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 906</u>	<u>\$ 863</u>

Township of Hamburg

Required Supplemental Information Budgetary Comparison Schedule Fire Special Revenue Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 479,718	\$ 638,989	\$ 638,989	\$ -
Revenues and Transfers In				
Property taxes	822,236	822,236	821,940	(296)
Interest and other	33,500	33,500	34,409	909
Proceeds from sale of capital assets	-	-	6,600	6,600
Total revenues and transfers in	855,736	855,736	862,949	7,213
Expenditures and Transfers Out				
Public safety	569,716	569,716	569,161	555
Transfers to other funds	182,652	182,652	182,652	-
Total expenditures and transfers out	752,368	752,368	751,813	555
Fund Balance - End of year	\$ 583,086	\$ 742,357	\$ 750,125	\$ 7,768

Township of Hamburg

Note to Required Supplemental Information June 30, 2006

Note - Budgetary Information

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles, with the exception of operating transfers and proceeds from issuance of long-term debt and sale of assets, which have been included in the "revenue" and "expenditures" categories, rather than omitted from the budget statement.

The budget has been adopted on a total fund basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. Comparison of actual results of operations to the budgets of the General Fund, Police Fund, and Fire Fund as adopted by the Township board are included in the required supplemental information of the basic financial statements. The additional detail in this statement is shown in greater detail than the budget that was adopted and is used to provide additional analysis for management use only. A comparison of actual results of operations to the budgets for nonmajor Special Revenue Funds as adopted by the board is available at the Township hall for inspection.

Significant Budget Overruns - During the year, the Township of Hamburg incurred expenditures that were in excess of the amounts budgeted as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Police Fund	\$ 1,937,601	\$ 1,945,413	\$ (7,812)

The overrun resulted from higher than anticipated general operational costs.

Other Supplemental Information

Township of Hamburg

	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Assets					
Cash and investments	\$ 179,524	\$ 47,874	\$ 1,765	\$ 172,616	\$ 316,450
Account receivable - Special assessments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 179,524</u>	<u>\$ 47,874</u>	<u>\$ 1,765</u>	<u>\$ 172,616</u>	<u>\$ 316,450</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 5,185	\$ -	\$ -	\$ 6,600	\$ -
Due to other funds	-	-	-	26,478	-
Deferred revenue	-	-	-	-	-
Total liabilities	5,185	-	-	33,078	-
Fund Balances					
Reserved for future cemetery expenditures	-	-	-	-	-
Unreserved, reported in:					
Special Revenue Funds	174,339	47,874	1,765	139,538	316,450
Debt Service Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Total fund balances	<u>174,339</u>	<u>47,874</u>	<u>1,765</u>	<u>139,538</u>	<u>316,450</u>
Total liabilities and fund balances	<u>\$ 179,524</u>	<u>\$ 47,874</u>	<u>\$ 1,765</u>	<u>\$ 172,616</u>	<u>\$ 316,450</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

Debt Service Funds		Capital Projects Fund		Permanent Fund - Cemetery Perpetual Care	Total Nonmajor Governmental Funds
Mumford Park Debt Service Fund	Buhl Road Debt Service Fund	Maintenance SADs	Capital Projects		
\$ 14,872	\$ 1,502	\$ 21,345	\$ 144,339	\$ 50,444	\$ 950,731
71,967	9,267	-	-	-	81,234
-	-	19,020	-	-	19,020
\$ 86,839	\$ 10,769	\$ 40,365	\$ 144,339	\$ 50,444	\$ 1,050,985
\$ -	\$ -	\$ 2,399	\$ 5,612	\$ -	\$ 19,796
14,649	1,725	16,470	-	-	59,322
71,967	9,267	-	-	-	81,234
86,616	10,992	18,869	5,612	-	160,352
-	-	-	-	50,444	50,444
-	-	-	-	-	679,966
223	(223)	-	-	-	-
-	-	21,496	138,727	-	160,223
223	(223)	21,496	138,727	50,444	890,633
\$ 86,839	\$ 10,769	\$ 40,365	\$ 144,339	\$ 50,444	\$ 1,050,985

Township of Hamburg

	Special Revenue Funds				
	Road	Park Land Purchase	Training	Drug Law Enforcement	Capital Improvements
Revenue					
Special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	450,709	-
Charges for services	-	-	-	-	-
Interest and other	<u>4,361</u>	<u>1,696</u>	<u>62</u>	<u>2,276</u>	<u>7,880</u>
Total revenue	4,361	1,696	62	452,985	7,880
Expenditures					
Public safety	-	-	1,950	11,789	-
Public works	90,967	-	-	-	-
Debt service	-	-	-	-	-
Capital outlay	<u>-</u>	<u>2,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>90,967</u>	<u>2,600</u>	<u>1,950</u>	<u>11,789</u>	<u>-</u>
Excess of Revenue Over (Under) Expenditures	(86,606)	(904)	(1,888)	441,196	7,880
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,064)</u>	<u>(22,772)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(307,064)</u>	<u>(22,772)</u>
Net Change in Fund Balances	(86,606)	(904)	(1,888)	134,132	(14,892)
Fund Balances - Beginning of year	<u>260,945</u>	<u>48,778</u>	<u>3,653</u>	<u>5,406</u>	<u>331,342</u>
Fund Balances - End of year	<u>\$ 174,339</u>	<u>\$ 47,874</u>	<u>\$ 1,765</u>	<u>\$ 139,538</u>	<u>\$ 316,450</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2006

Debt Service Funds		Capital Projects Fund			
Mumford Park Debt Service Fund	Buhl Road Debt Service Fund	Maintenance SADs	Capital Projects	Permanent Fund - Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ 8,287	\$ 1,165	\$ 50,189	\$ -	\$ -	\$ 59,641
-	-	-	-	-	450,709
-	-	-	-	1,548	1,548
<u>284</u>	<u>4</u>	<u>230</u>	<u>5,165</u>	<u>1,553</u>	<u>23,511</u>
8,571	1,169	50,419	5,165	3,101	535,409
-	-	-	-	-	13,739
-	-	-	-	-	90,967
9,530	-	-	-	-	9,530
<u>-</u>	<u>-</u>	<u>46,522</u>	<u>67,118</u>	<u>-</u>	<u>116,240</u>
<u>9,530</u>	<u>-</u>	<u>46,522</u>	<u>67,118</u>	<u>-</u>	<u>230,476</u>
(959)	1,169	3,897	(61,953)	3,101	304,933
1,182	-	210	36,684	-	38,076
<u>-</u>	<u>(1,392)</u>	<u>-</u>	<u>(5,228)</u>	<u>-</u>	<u>(336,456)</u>
<u>1,182</u>	<u>(1,392)</u>	<u>210</u>	<u>31,456</u>	<u>-</u>	<u>(298,380)</u>
223	(223)	4,107	(30,497)	3,101	6,553
<u>-</u>	<u>-</u>	<u>17,389</u>	<u>169,224</u>	<u>47,343</u>	<u>884,080</u>
<u>\$ 223</u>	<u>\$ (223)</u>	<u>\$ 21,496</u>	<u>\$ 138,727</u>	<u>\$ 50,444</u>	<u>\$ 890,633</u>

October 26, 2006

To the Members of the Township Board
Township of Hamburg
Livingston County, Michigan

Dear Board Members:

We recently completed our audit of the basic financial statements of Township of Hamburg for the year ended June 30, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

ACCOUNTING AND RECORDKEEPING ITEMS

As a result of our examination, we offer the following comments and recommendations relating to the Township's accounting and recordkeeping procedures:

Purchasing System

It was noted once again this year that the current purchasing system is not always operating as designed. For example, we found that various invoice dates precede the date of the approved purchase order and it was noted that a purchase that met the Board approval process threshold was made without receiving Board approval as the amounts due were paid in installments. We encourage the Township to review the current system that is in place and determine if adjustments should be made in current practices to strengthen the controls of the system.

Interfund Receivables, Payables and Transfer

During the course of our audit, we noted significant amounts and numbers of interfund receivables, payables and transfers. We suggest the following enhancement to the Township's monthly accounting procedures in order to properly account for interfund balances:

- Procedures should ensure that a balance in one fund corresponds to a balance in another fund.
- Common interfund balances within a fund (i.e., a fund has both a due from and a due to the same fund) should be combined through a journal entry.
- If a fund has cash available, pay off or reduce the interfund balance on a regular basis.

- If a fund does not have common interfunds nor cash available or the possibility of future cash flows is questionable, the interfunds should be analyzed for potential uncollectability and, if appropriate, adjustments should be made. In effect, the interfund may actually represent a transfer rather than a loan.

Monitoring and liquidating interfund balances will help to make interim financial reports simpler and easier to understand, ensure that each fund is able to invest and be credited with its share of investment earnings on an equitable basis and avoid cash flow surprises resulting from unexpected demands or needs to liquidate interfund balances

Other Items

While reviewing the Township's defined contribution calculations, we noted that there are no formal review procedures in place, including reviewer signature.

REVENUE SHARING

The State's fiscal year 2005/2006 provides for both constitutional and statutory revenue sharing at approximately \$1.1 billion, which is basically the fiscal year 2004/2005 funding level. As with the past several years, revenue sharing payments on an individual community-by-community basis for fiscal year 2005/2006 will be funded at approximately fiscal year 2004/2005 levels.

The Governor's proposed 2006/2007 budget did not include any additional funding for local governments. As a result, it is expected that overall revenue sharing payments to communities for fiscal year 2006/2007 will remain stagnant at the 2004/2005 level.

Even though there is the expectation that revenue sharing will hold constant at prior year funding levels, continued caution should be exercised when budgeting this line item. While it is good news that revenue sharing may be maintained at current levels, sales tax revenue would support an increase to total state shared revenue payments. However, for fiscal years 2004/2005, 2005/2006, and 2006/2007, the appropriation in the State's budget for revenue sharing payments is over \$500 million less annually than amounts provided for in law and based on actual sales tax collections. For those three years, revenue sharing distributions are planned to be approximately \$1.6 billion less than amounts provided by statutory formulas. There appears to be no long term solution to the State's structural deficit in its General Fund and as long as this condition exists revenue sharing remains at risk and a return to past funding levels is not likely in the foreseeable future.

The table below details state shared revenue for the Township over the past years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the Township compared to the State's fiscal year in the last few years.

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	285,140	1,331,068	1,616,208	-
2002	275,587	1,344,544	1,620,131	3,923
2003	234,627	1,366,858	1,601,485	(14,723)
2004	87,328	1,352,011	1,439,339	(176,869)
2005	39,374	1,384,276	1,423,650	(192,558)
2006	-	1,407,843	1,407,843	(208,365)
2007 - Projected	-	1,446,795	1,446,795	(169,413)

We will continue to update the Township as developments occur.

MUNICIPAL FINANCE ACT REVISIONS – REMINDER

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the Township’s year end (due December 31, 2006) and is good for one year thereafter.

We would like to thank Laurie Pravato as well as all of the Township personnel for their assistance during the audit. We appreciate the opportunity to serve as your auditors. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Michael J. Swartz



Martin J. Olejnik